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STATISTICAL BULLETIN

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Statistical Reference Index
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4520 East West Highway - Suite 800
Bethesda, MD 20814

Highlights

- CONSUMER DEMAND IS SLUGGISH:
- WITH HOME SALES FALLING AND LITTLE RECOVERY IN CAR SALES
- YET CONSUMER OPTIMISM HAS RETURNED
- NEW ORDERS REMAIN STRONG
- AND EXPORTS CONTINUE TO RISE
- BUT SO DOES INVENTORY BUILDUP
- OUTLOOK • VERY LITTLE GROWTH IN FIRST HALF OF 1988, SLUGGISH SECOND HALF

Volume 21, No. 3, March, 1988

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The Conference Board

THE CONFERENCE BOARD'S STATISTICAL BULLETIN COMMENTARY

OVERVIEW: The six-year U.S. economic expansion has lost some punch, but it is not yet over. Although industrial output is growing at a slower pace, both the strength of new orders and labor market indicators suggest forward momentum. Export growth remains the brightest spot on the horizon but it is not the only one. There is no indication of any significant buildup of inflationary pressures.

On the negative side, there are signs that labor demand is weakening and that scattered layoffs have occurred. Moreover, although industrial output has not been bullish, inventory is piling up. The overall rise in consumer demand appears to have softened. The weakest areas remain new home and car sales.

Nevertheless, in contrast to recessionary fears in the wake of the stock market crash, there now is some renewed concern that the economy may overheat. Analysts point out that the capacity utilization rates are in the 82%-83% range, while order books are filling up. In fact, the consensus of the **Economic Forecasts** has been revised upward over the last month. It shows real GNP growing by a still modest 1.5% to the end of 1988, from the end of 1987.

DOMESTIC MARKET MONITOR

The string of very positive labor market reports that began last October continued in February. Over this period, total employment increased by 1.9%, about evenly split between goods production and services. The proportion of the adult population holding jobs climbed from 63% in September 1987 to 64.5% in February 1988.

While new workers were hired in recent months, the average length of the workweek was shortened. Overall, total hours worked were 1.6% higher in February than in December, principally the result of gains in wholesale and retail trade and in "other" services. Total manufacturing hours were 0.1% lower. Hours worked in transportation and utilities were up modestly.

Despite employment gains, there are signs of some weakening in labor market activity. Initial unemployment claims have risen and The Conference Board's **Help-wanted Index**, a measure of labor demand, fell to 154 (1967 = 100) in January, from 162 in November. Early returns to the February survey do not indicate any improvement. Finally, the median of the **Economic Forecasts** shows that the national unemployment rate will gradually rise to about 6% by mid-year.

INCOME: New job growth and hourly pay hikes continued to provide robust gains in income in January. Wages in commodity-producing industry were 1.2% higher than three months earlier. Wages in the "other" industry category were 1.9% higher. In February, however, wage income growth may have slowed as a result of of small gains in total hours worked and very meager growth in hourly pay. The average hourly rate in private industry was $9.12 in February, compared with $9.11 in December.

Nonwage income growth remains somewhat stronger than the rise in wages. Interest income has been buoyed by a pickup in the savings rate over the last few months and an end to recent declines in interest rates. Rental income and shopkeepers' income have also risen sharply. Conversely, dividend growth, while still strong, has slowed.

The recent quickening in the growth of consumer borrowing looks substantial largely because it follows a long period of very subdued demand. The pace of borrowing in January is, in fact, close to that of a year ago. Moreover, income gains have been robust. Hence, January's ratio of **Consumer Installment Debt Expansion to Personal Income** was at the same level as June 1987.

Continued strong employment gains have moderated consumer fears following the stock market crash. Back in September, The Conference Board's **Consumer Confidence Index** stood at 115.7 (1985 = 100), a 15-year high. It then declined to 100.8 in November but was back to 113.9 in February. The recovery of the expectations component of the overall index has been more modest.

SPENDING: Despite fairly robust income gains and renewed consumer confidence (reflected not only in attitude surveys but also in the rise in installment debt), spending still appears to be faltering. Retail sales, except autos, were only 0.2% higher in February than three months earlier. Durable sales, except autos, were 2.2% higher. A large portion of January's rise in consumer debt can be explained in terms of those purchases. Nondurable sales were 0.3% lower.

At first glance, car buying currently appears to be the strongest segment of consumer demand. New domestic **Automobile Sales** picked up to a 7.9 million annual rate, seasonally adjusted, in February—from a 7.2 million rate in January. However, the latest figure remains below the 8 to 9 million rate producers anticipated, resulting in employment and production cutbacks.

CONSTRUCTION: Home buying remains the weakest segment of consumer demand. New single-family home sales were one-third lower in December 1987 than in April 1986. They then declined by 9% in January. The prices of new homes have risen by one-third since April 1986, offseting recent reductions in mortgage rates and discouraging sales. Given weak demand, new construction has been severely cutback and that has limited the rise in inventory of unsold homes in recent months.

Ken Goldstein, Editor

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845 Third Avenue
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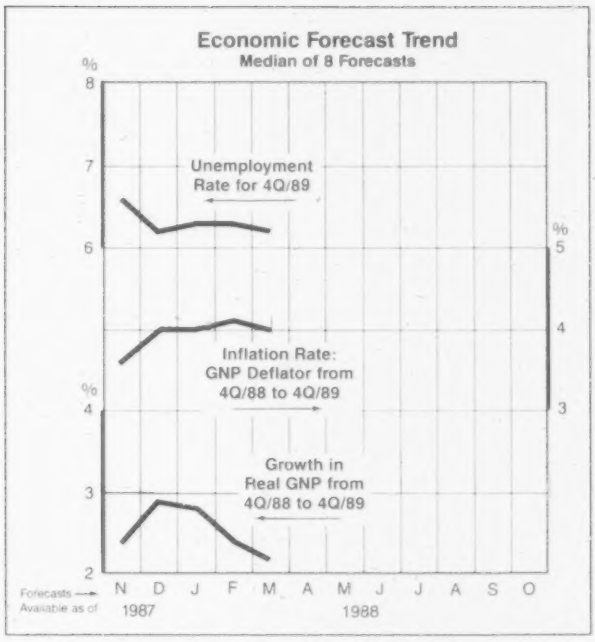
The Conference Board, Inc.
Avenue Louise, 207-Bte 5
B-1050 Brussels, Belgium

The Conference Board, Inc.
1755 Massachusetts Avenue, N.W., Suite 312
Washington, D.C. 20036

The Conference Board of Canada
255 Smyth Road
Ottawa, Ontario, K1H-8M7



New single-unit housing starts and permits were substantially lower in January than three months earlier. Multi-unit permits were also down sharply, but starts were only marginally lower.

Recent declines in nonresidential construction have been less severe, and there are some indications that the pace of activity may pick up. Commercial building was 4.7% lower in January than three months earlier, compared to industrial building, which was only 2.6% lower, and to office building, which climbed 5 percent. Public building continues to be in a slump, while work on roads and infrastructure remains flat. The rise in construction jobs in February, however, may signal a strengthening in nonresidential construction.

PRODUCTION: The sharp rise in output has slowed. Total industrial production was 1% higher in January than three months earlier. The output of finished consumer durables was 2.8% lower, while that of finished business equipment was flat. In contrast, the output of semi-finished goods rose by 1.4% and raw material output by 1.8 percent. The flat numbers on hours worked in February suggest that some of those raw materials may not be transformed into finished product quickly.

Industrial production is expected to continue to rise, even as conditions approach full capacity. New orders for durable goods, except defense-related, were 10% higher in January than three months earlier, while shipments of filled orders were up by only 7.6 percent. Producers are being conservative about stepping up production lest the rise in orders proves ephemeral.

INVENTORY: One reason why producers haven't filled orders faster is that inventory is rising despite bulging order books. Total inventory, except cars at the retail level, was 2.5% higher in December than three months earlier. Sales were only 1.1% higher. Thus, not only is inventory piling up but the Inventory-to-Sales ratios are inching higher. Rising ratios, along with some suggestion of sluggish consumer demand, are restricting the expansion of industrial output, despite sharp increases in export demand.

INFLATION: The consensus of the **Economic Forecasts** is that the CPI, which rose at a 4% annual rate in the fourth quarter of 1987, slowed to about 3.2% (annualized) in the first quarter of 1988.

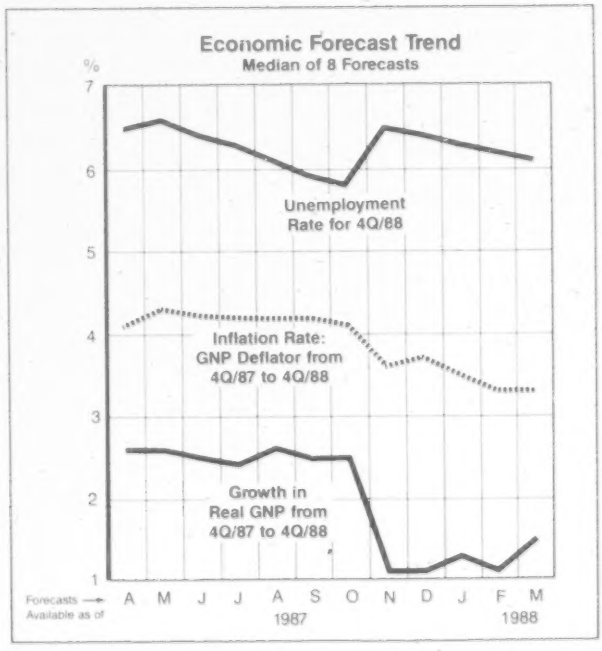
Part of the explanation lies in raw material prices. Even though overall orders are up, orders for materials are not. Prices of raw industrial materials fell in three of the last four months, for a cumulative decline of 2.3 percent. In addition, January far prices were basically flat and finished wholesale goods prices were no higher in January than in October, and only marginally above last Summer's level. Although industry is running at near capacity, the CPI is not expected to top 4.4% (annualized) in the second half of the year.

INTERNATIONAL MONITOR

The rise in imports remains quite strong. Total imports were 5.5% higher in December than three months earlier. But imports of manufactured goods were 8.1% higher, largely due to shipments of aircraft and motor vehicles.

The sharp increase in exports is a little deceiving. Total exports were 18% higher in December than three months earlier, but exports of manufactured goods rose by half that rate. On the plus side, export markets were widely diffused—with sales to both developed and developing countries.

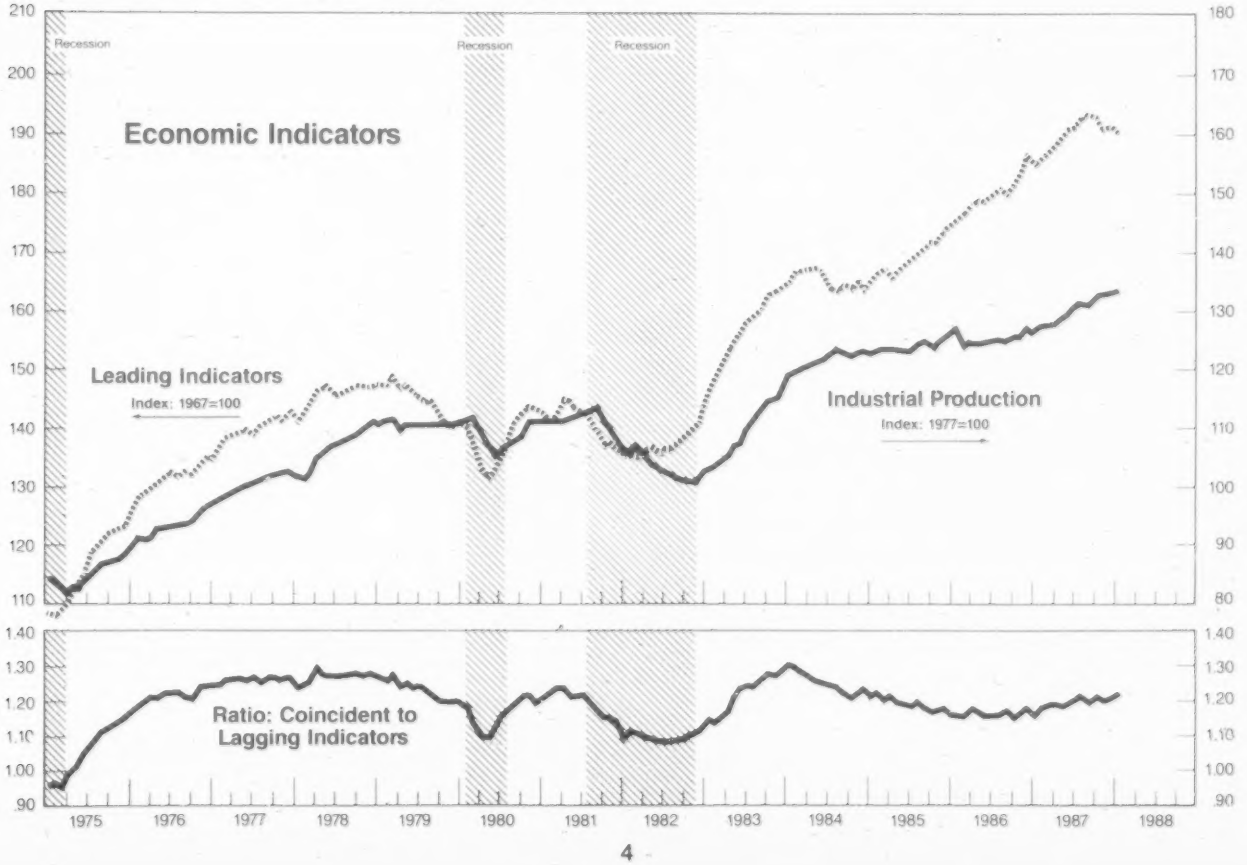
Ken Goldstein
March 11, 1988



STATUS OF LEADING ECONOMIC INDICATORS

		Rising	Level	Declining	Change over Latest Three Months	Change from Year-Ago
		(Classification based on movement of series over several months)				
Leading Economic Indicators	Jan.			X	– 1.3%	2.5%
Capital Investment Commitments						
*Contracts and orders, plant & equipment (deflated)	Jan.	X			9.3%	26.5%
New orders, nondefense capital goods (deflated)	Jan.	X			12.9%	32.4%
*New business formation	Jan.	X			4.5%	6.8%
*Housing permits	Jan.			X	–14.1%	–23.9%
Inventory Investment and Purchasing						
*New orders, consumer goods & materials (deflated)	Jan.			X	– 3.4%	2.7%
*Change in inventory, on hand & order (deflated)	Dec.	X			26.9%	48.7%
Purchasing agents' buying policy	Jan.			X	– 4.0%	– 3.0%
*Vendor performance, reported slower deliveries	Jan.		X		– 2.0%	13.0%
Industrial raw materials prices	Feb.			X	– 0.9%	17.0%
*Change in sensitive material prices	Jan.			X	– 1.0%	– 0.8%
Sensitive Financial Flows						
*Money balance (M2 deflated)	Jan.	X	X		0.3%	– 0.6%
Change in business loans	Jan.			X	–134.6%	–218.4%
*Change in credit outstanding	Dec.	X			1.8%	– 0.2%
Change in consumer installment debt	Jan.	X			18.8%	43.9%
Profitability						
Total corporate profits, after tax (deflated)	3rd.Q	X			5.2%	6.1%
*Common stock prices	Feb.	X			5.2%	– 8.2%
Marginal Employment Adjustments						
*Average workweek, mfg.	Jan.		X		– 0.2hr	0.3hr
*Initial unemployment claims (inverted)	Jan.			X	–23.6%	2.2%

Note: For a description of the Leading Indicators Composite Index see Bureau of Economic Analysis, *Handbook of Cyclical Indicators*, (Washington. D.C.: Government Printing Office) June, 1977.
*These twelve series make up the Composite Leading Index charted below.



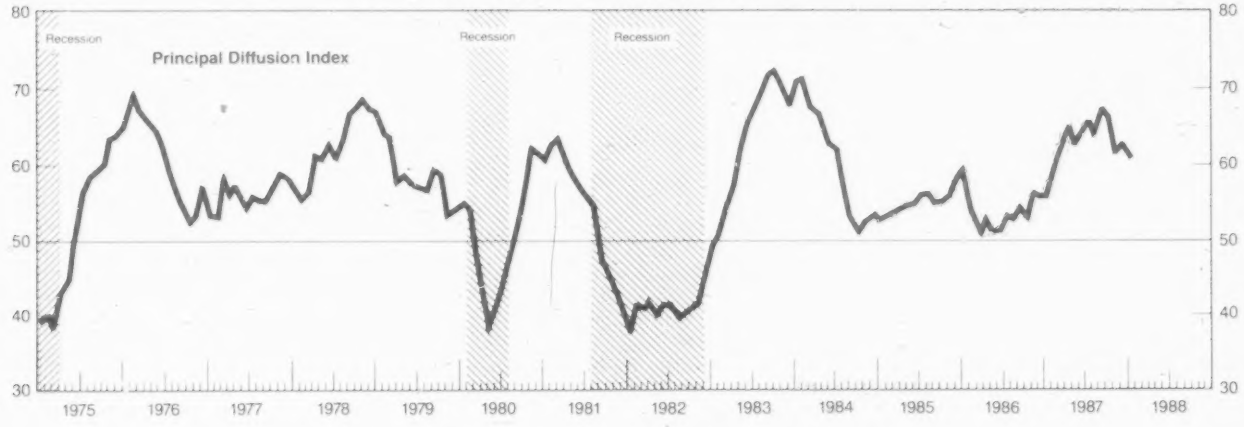
CONFERENCE BOARD DIFFUSION INDEXES

DIFFUSION INDEXES	1987 Jan.	1987 Oct.	1987 Nov.	1987 Dec.	1988 Jan.(e)
Principal Diffusion Index	56.3	66.2r	61.8r	62.1r	60.4
Auxillary Diffusion Index	48.2	47.4r	35.6r	50.9r	44.4
Industrial Group	49.7	67.4r	64.1r	63.8r	59.4
Nonindustrial Group	63.0	65.1r	59.5r	60.4r	61.3
Sense of Diffusion	0	1	1	1	1
SUBGROUP DIFFUSION INDEXES					
Industrial Subgroups					
Production	52.4	69.7	69.2	74.4	68.8
Labor	54.4	66.3r	64.1r	57.8r	53.2
Miscellaneous	34.0	66.3r	56.4	62.8	60.9
Nonindustrial Subgroups					
Prices	76.9	76.3	63.5	59.6	64.1
Consumer	65.0	70.1	64.5	69.2	73.5
Building	42.6	44.2r	44.9r	45.5r	38.5
Miscellaneous	65.4	66.7r	61.5r	62.0r	62.4

Note: The principal diffusion index reflects the frequency of rises in 20 component series over the 12-month period ending in the month indicated. The index is based on the direction of change, not the magnitude of change, from month to month. Each component series carries equal weight in the index, but the direction of recent changes is weighted more heavily than are earlier changes. If, for example, 10 component series rose and 10 declined in each of the last 12 months, the current index would be higher than 50 because the data over the latest six-month period are weighted more heavily than data from the earlier six-month period. On the other hand, if all 20 series rose in each of the last six months, after declining in each of the prior six months, weighting would make the current index considerably greater than 50. See Morton Ehrlich, "Using The Conference Board's Diffusion Indexes," The Conference Board *RECORD*, July, 1966.

e-estimate r-revised

The Conference Board Diffusion Index



BUSINESS EXECUTIVES' EXPECTATIONS

	1985 Feb.	1985 May	1985 Aug.	1985 Nov.	1986 Feb.	1986 May	1986 Aug.	1986 Nov.	1987 Feb.	1987 May	1987 Aug.	1987 Nov.
	Score (scale 0-100)											
Measure of Business Confidence	61	52	51	55	61	61	50	51	55	55	59	47
1. Appraisal of Current Economic Conditions Compared With Six Months Ago	62	48	45	53	63	61	44	50	56	55	62	50
2. Expectations for Economy, Six Months Ahead	61	53	53	56	62	62	52	51	54	53	56	43
3. Expectations for Own Industry, Six Months Ahead	61	55	54	56	59	60	54	53	56	56	58	48

The Measure of Business Confidence is the average of the scores for the three primary questions in the survey. Respondents have five reply options for each question; a score for each question is determined by assigning the following values to the replies and calculating the average value of the replies to the question: Substantially Better—100; Moderately Better—75; Same—50; Moderately Worse—25; Substantially Worse—0. The score for each question,and the overall Measure of Business Confidence, thus can range from 0 to 100.

CONFERENCE BOARD ESTIMATES OF CAPITAL APPROPRIATIONS AND EXPENDITURES BY MANUFACTURERS AND INVESTOR-OWNED UTILITIES

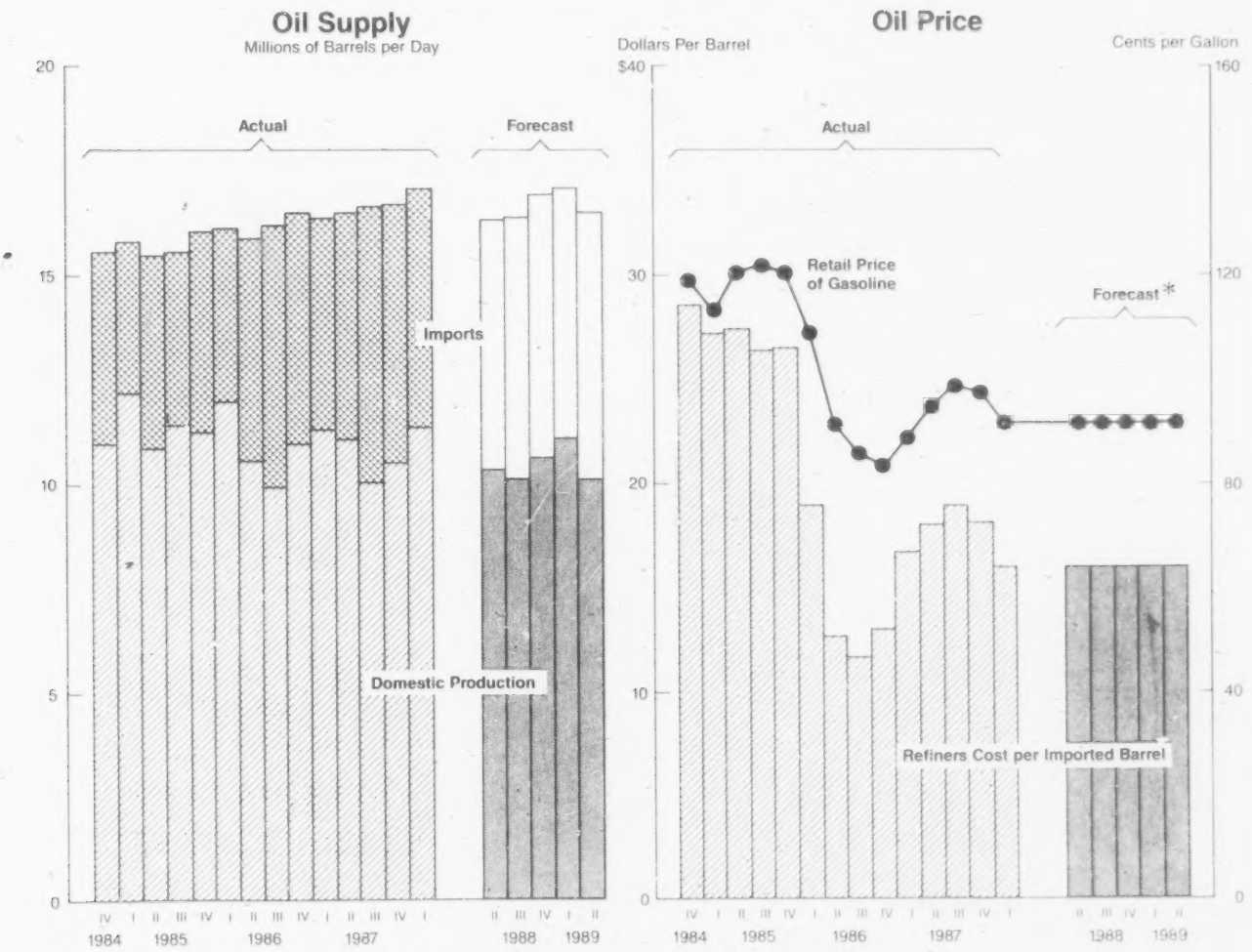
Billions of Dollars, Seasonally Adjusted

	1986				1987		
	I	II	III	IV	I	IIr	IIIp
1000 LARGEST MANUFACTURING FIRMS							
New appropriations	23.386	19.991	20.203	22.097	21.441	32.257	30.872
Capital expenditures	23.566	24.309	22.452	23.299	20.801	20.933	25.817
Change in appropriations backlog*	-2.368	-6.447	-5.060	-10.993	- 0.550	+ 5.460	+ 2.770
Durable Goods							
New appropriations	11.613	9.578	10.051	10.807	9.746	16.515	16.496
Capital expenditures	11.479	11.880	12.186	12.915	11.124	14.006	13.948
Change in appropriations backlog*	-1.582	-3.824	-3.986	-4.140	- 2.070	+ 2.310	+ 1.930
Nondurable Goods							
New appropriations	11.773	10.413	10.152	11.290	11.695	15.742	14.376
Capital expenditures	12.087	12.429	10.266	10.384	9.677	11.927	11.869
Change in appropriations backlog*	- 0.786	- 2.623	- 1.074	- 6.853	+ 1.520	+ 3.160	+ 0.844
ELECTRIC & GAS UTILITIES							
New appropriations	9.554	5.544	5.530	5.491	6.513	5.627	
Capital expenditures	8.096	7.702	7.535	6.080	7.649	7.059	
Change in appropriations backlog*	+ 1.470	- 3.840	- 2.110	- 1.005	- 0.870	- 1.700	

Available on request: Historical data from 1953 (manufacturing) and from 1958 (utilities), and quarterly reports containing text and data for 17 separate manufacturing industries, electric and gas utilities.

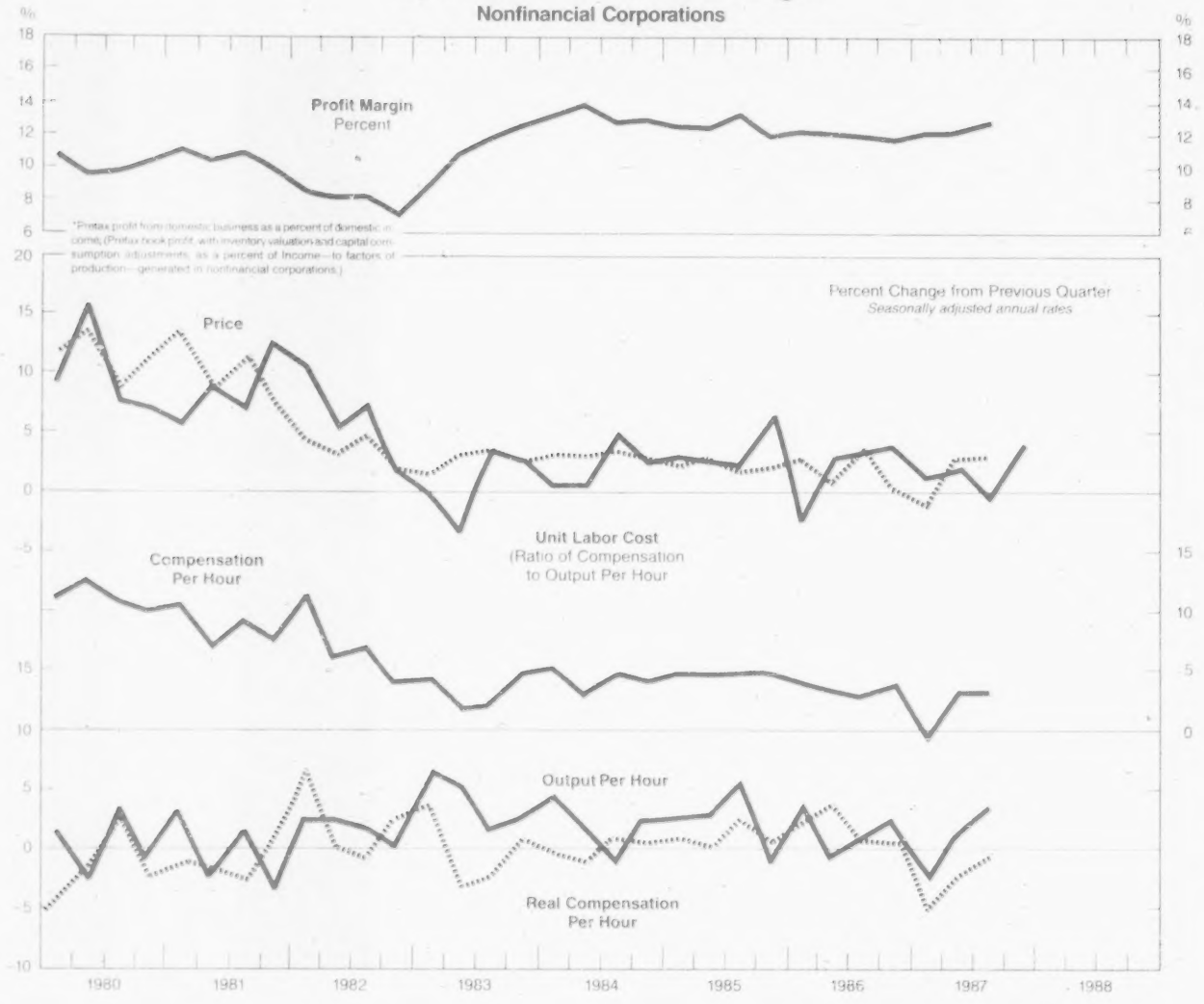
r—revised p—preliminary

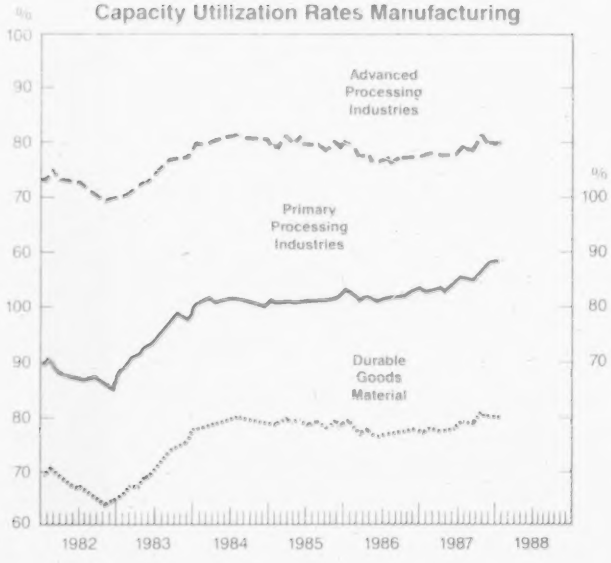
* Change in Backlog = New Appropriations - (Expenditures + Cancellations and Other Adjustments)



* Source of Forecast is The Energy Information Administration, Department of Energy

Key Determinants of Profit Margin





ECONOMIC FORECASTS

			U.C.L.A.[1] Business Forecasting Project		Merrill Lynch[2] Economics Inc.		E.I. duPont[1] de Nemours & Co.		Georgia State University[1]	
Date of Forecast			*Feb., 1988*		*Feb., 1988*		*Feb., 1988*		*Feb., 1988*	
			Level	*Percent Change*	*Level*	*Percent Change*	*Level*	*Percent Change*	*Level*	*Percent Change*
Gross National Product Billions of Current Dollars										
Actual	**1987**	**IV**	**$4604.0**	**7.3%**	**$4604.0**	**7.3%**	**$4604.0**	**7.3%**	**$4604.0**	**7.3%**
Forecast	1988	I	4555.8	-4.1	4648.9	4.0	4666.2	5.5	4642.2	3.4
		II	4566.7	1.0	4709.1	5.3	4720.5	4.7	4693.8	4.5
		III	4591.4	2.2	4776.9	5.9	4765.8	3.9	4767.2	6.4
		IV	4649.6	5.2	4842.9	5.6	4815.1	4.2	4836.6	6.0
	1989	I	4769.5	10.7	4877.2	2.9	4890.6	6.4	4913.3	6.5
		II	4890.4	10.5	4908.8	2.6	4981.7	7.7	4970.2	4.7
		III	5012.2	10.3	5000.4	7.7	5080.4	8.2	5034.0	5.2
		IV	5140.6	10.6	5110.7	9.1	5168.6	7.1	5117.9	6.8
	1990	I	5260.0	9.6						
	1988	Annual	4590.9	2.3	4744.5	5.7	4741.9	5.7	4735.0	5.5
	1989	Annual	4953.2	7.9	4974.3	4.8	5030.4	6.1	5008.9	5.8
Gross National Product Billions of Constant (1982) Dollars										
Actual	**1987**	**IV**	**$3877.9**	**4.5%**	**$3877.9**	**4.5**	**$3877.9**	**4.5%**	**$3877.9**	**4.5%**
Forecast	1988	I	3806.1	-7.2	3883.3	0.6	3895.0	1.8	3884.7	0.7
		II	3791.8	-1.5	3898.2	1.5	3898.0	0.3	3895.3	1.1
		III	3785.1	-0.7	3916.6	1.9	3900.0	0.2	3920.4	2.6
		IV	3806.7	2.3	3933.2	1.7	3902.0	0.2	3941.8	2.2
	1989	I	3872.5	7.1	3921.6	-1.2	3925.0	2.4	3962.3	2.1
		II	3937.7	6.9	3910.6	-1.1	3960.0	3.6	3960.3	-0.2
		III	3999.2	6.4	3942.1	3.3	3994.0	3.5	3967.2	0.7
		IV	4064.6	6.7	3983.9	4.3	4035.0	4.2	4001.5	3.5
	1990	I	4111.5	4.7						
	1988	Annual	3797.4	-0.6	3907.8	2.3	3898.8	2.1	3910.6	2.4
	1989	Annual	3968.5	4.5	3939.6	0.8	3978.5	2.0	3972.8	1.6
Gross National Product deflator Index, 1982 = 100										
Actual	**1987**	**IV**	**118.7**	**2.5%**	**118.7**	**2.5%**	**118.7**	**2.5%**	**118.7**	**2.5%**
Forecast	1987	I	119.7	3.3	119.7	3.4	119.8	3.7	119.5	2.6
		II	120.4	2.5	120.8	3.7	121.1	4.4	120.5	3.4
		III	121.3	2.9	122.0	3.9	122.2	3.7	121.6	3.7
		IV	122.1	2.8	123.1	3.9	123.4	4.0	122.7	3.7
	1989	I	123.2	3.4	124.4	4.1	124.6	3.9	124.0	4.3
		II	124.2	3.4	125.5	3.8	125.8	3.9	125.5	4.9
		III	125.3	3.7	126.8	4.3	127.2	4.5	126.9	4.5
		IV	126.5	3.7	128.3	4.6	128.1	2.9	127.9	3.2
	1990	I	127.9	4.7						
	1988	Annual	120.9	2.9	121.4	3.4	121.6	3.5	121.1	3.1
	1989	Annual	124.8	3.2	126.3	4.0	126.4	3.9	126.1	4.1
Unemployment Rate										
Actual	**1987**	**IV**		**5.9%**		**5.9%**		**5.9%**		**5.9%**
Forecast	1988	I		6.1		5.9		6.0		5.8
		II		6.5		5.9		6.2		5.9
		III		6.8		5.9		6.2		5.9
		IV		7.1		5.9		6.4		5.9
	1989	I		7.0		6.1		6.4		5.9
		II		6.7		6.3		6.3		6.0
		III		6.3		6.3		6.3		6.1
		IV		5.8		6.3		6.2		6.1
	1990	I		5.5						
	1988	Annual		6.6		5.9		6.2		5.9
	1989	Annual		6.4		6.3		6.3		6.0

[1]Based on preliminary fourth quarter data.
[2]Based on revised (2nd revised) third quarter data.

ECONOMIC FORECASTS (continued)

The Conference Board[1]		Laurence H. Meyer Associates, Inc.[1]		Data Resources Inc.[1]		Wharton E.F.A. Inc.[1]				
Feb., 1988		Feb., 1988		Feb., 1988		Feb., 1988		Date of Forecast		
Level	Percent Change	Level	Percent Change	Level	Percent Change	Level	Percent Change			
								Gross National Product Billions of Current Dollars		
$4604.0	**7.3%**	**$4604.0**	**7.3%**	**$4604.0**	**7.3%**	**$4604.0**	**7.3%**	**IV**	**1987**	**Actual**
4658.0	4.8	4642.9	3.4	4647.1	3.8	4652.2	4.3	I	1988	Forecast
4707.0	4.3	4699.0	4.9	4693.8	4.1	4712.2	5.3	II		
4750.0	3.7	4765.4	5.8	4753.9	5.2	4792.3	7.0	III		
4819.0	5.9	4831.4	5.7	4824.0	6.0	4869.1	6.6	IV		
4899.0	6.8	4910.9	6.7	4926.5	8.8	4956.2	7.3	I	1989	
4959.0	5.0	4989.1	6.5	5022.0	8.0	5035.0	6.5	II		
5016.0	4.7	5071.9	6.8	5120.1	8.0	5102.2	5.4	III		
5078.0	5.0	5149.2	6.2	5220.5	8.1	5169.7	5.4	IV		
				5324.0	8.2	5241.2	5.6	I	1990	
4733.5	5.5	4734.7	5.5	4729.7	5.4	4756.5	6.0	Annual	1988	
4988.0	5.4	5030.3	6.2	5072.3	7.2	5065.8	6.5	Annual	1989	
								Gross National Product Billions of Constant (1982) Dollars		
$3877.9	**4.5%**	**$3877.9**	**4.5%**	**$3877.9**	**4.5%**	**$3877.9**	**4.5%**	**IV**	**1987**	**Actual**
3901.2	2.4	3881.7	0.4	3888.7	1.1	3881.4	0.4	I	1988	Forecast
3915.8	1.5	3898.4	1.7	3896.2	0.8	3897.5	1.7	II		
3918.9	0.3	3929.3	3.2	3911.8	1.6	3924.6	2.8	III		
3940.3	2.2	3955.5	2.7	3937.1	2.6	3952.3	2.9	IV		
3966.8	2.7	3978.6	2.4	3982.3	4.7	3984.1	3.3	I	1989	
3976.7	1.0	4003.8	2.6	4018.0	3.6	4006.1	2.2	II		
3987.3	1.1	4032.6	2.9	4054.9	3.7	4015.0	0.9	III		
4001.6	1.4	4056.1	2.4	4091.3	3.6	4024.7	1.0	IV		
				4123.1	3.1	4040.1	1.5	I	1990	
3919.1	2.6	3916.2	2.5	3908.5	2.3	3914.0	2.5	Annual	1988	
3983.1	1.6	4017.8	2.6	4036.6	3.3	4007.5	2.4	Annual	1989	
								Gross National Product deflator Index, 1982 = 100		
118.7	**2.5%**	**118.7**	**2.5%**	**118.7**	**2.5%**	**118.7**	**2.5%**	**IV**	**1987**	**Actual**
119.4	2.3	119.6	3.0	119.5	2.6	119.9	3.9	I	1988	Forecast
120.2	2.7	120.5	3.1	120.5	3.3	120.9	3.5	II		
121.2	3.4	121.3	2.5	121.5	3.6	122.1	4.1	III		
122.3	3.7	122.1	2.9	122.5	3.3	123.2	3.6	IV		
123.5	4.0	123.4	4.3	123.7	3.9	124.4	4.0	I	1989	
124.7	3.9	124.6	3.9	125.0	4.2	125.7	4.2	II		
125.8	3.6	125.8	3.8	126.3	4.2	127.1	4.5	III		
126.9	3.5	126.9	3.8	127.6	4.3	128.4	4.4	IV		
				129.1	4.9	129.7	4.0	I	1990	
120.8	2.8	120.9	2.9	121.0	3.0	121.5	3.5	Annual	1988	
125.2	3.7	125.2	3.6	125.6	3.8	126.4	4.0	Annual	1989	
								Unemployment Rate		
	5.9%		**5.9%**		**5.9%**		**5.9%**	**IV**	**1987**	**Actual**
	5.8		5.9		5.8		5.9	I	1988	Forecast
	6		6		5.9		6.0	II		
	6.3		6		6.0		6.1	III		
	6.2		6		6.1		6.1	IV		
	6.1		5.9		6.0		6.0	I	1989	
	6.3		5.9		5.9		6.0	II		
	6.3		5.8		5.7		6.1	III		
	6.4		5.8		5.5		6.3	IV		
					5.4		6.4	I	1990	
	6.1		6.0		6.0		6.0	Annual	1988	
	6.3		5.9		5.8		6.1	Annual	1989	

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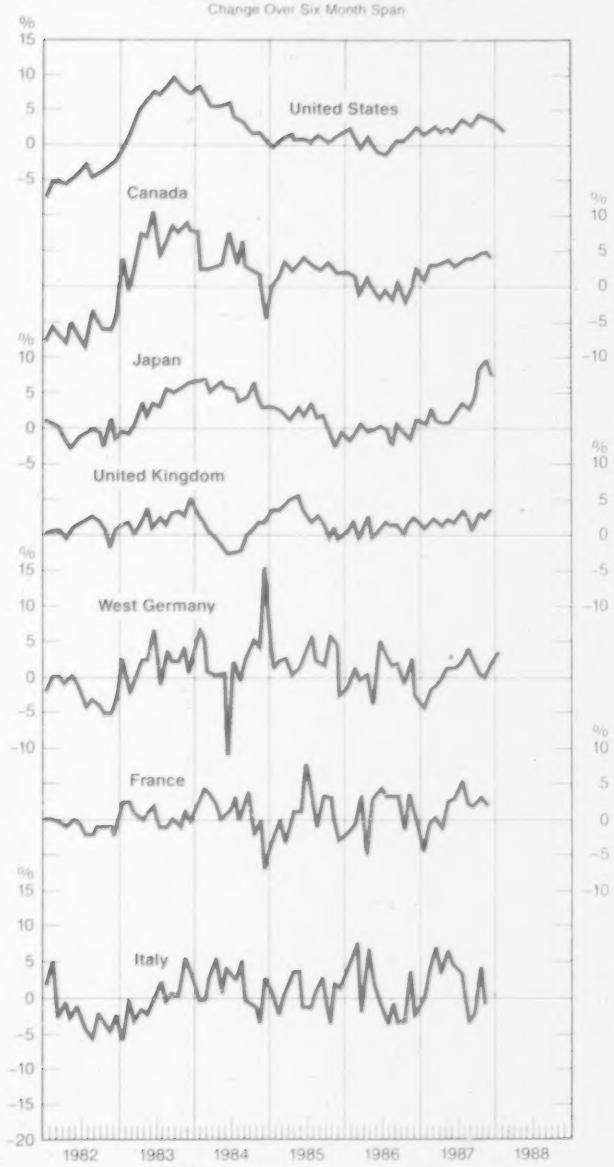
Selected International Comparisons

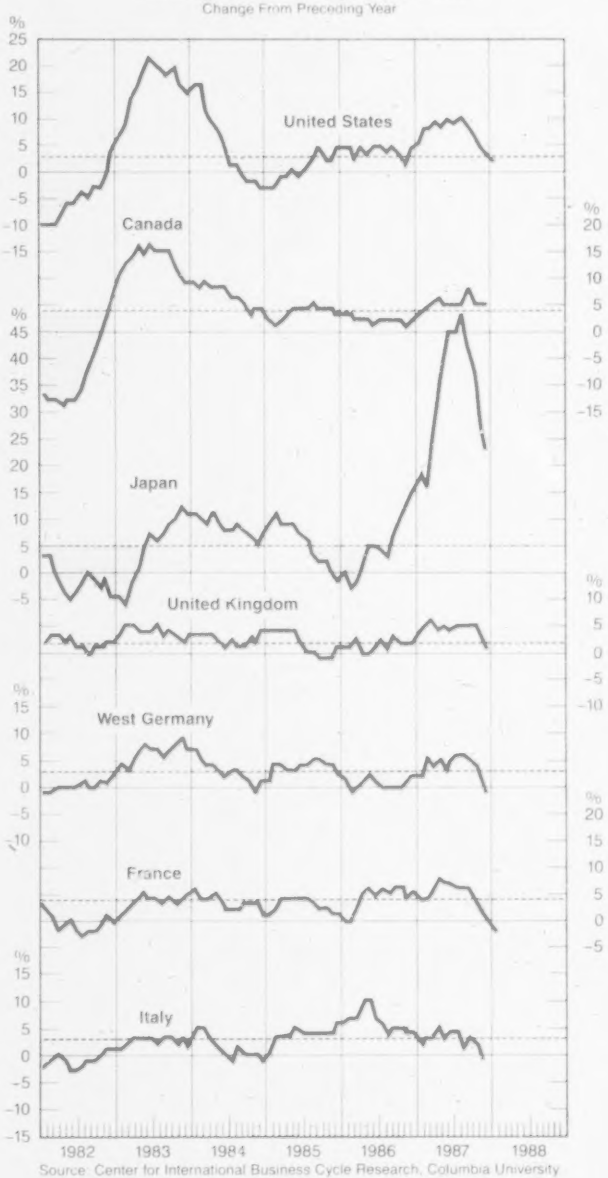
Industrial Production Indexes

Change Over Six Month Span



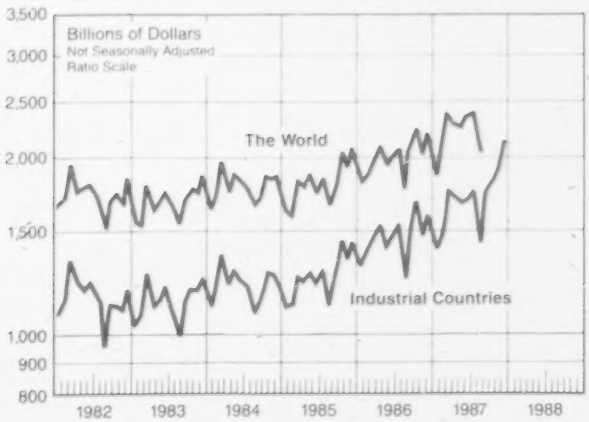
Leading Business Cycle Indexes

Change From Preceding Year

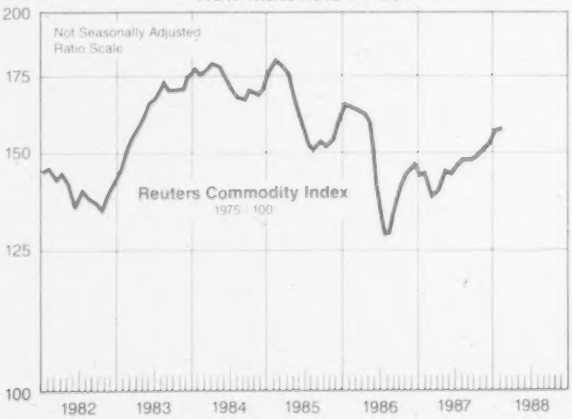


Source: Center for International Business Cycle Research, Columbia University

Merchandise Trade: Value of Exports

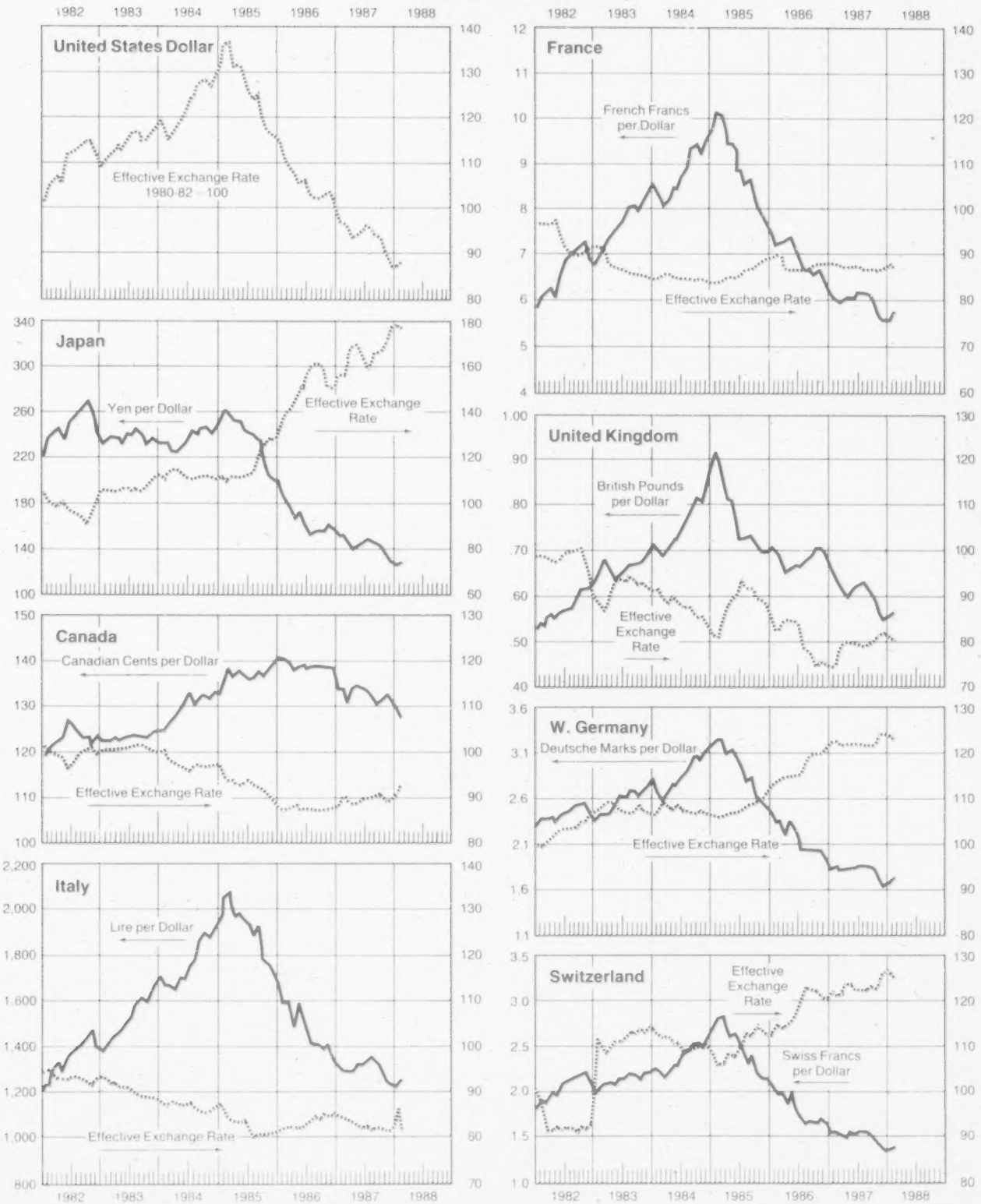


Raw Materials Prices



Foreign Exchange Rates

Indexes: 1980-82 = 100



Note: Nominal Effective Exchange Rates: index numbers 1980-82 = 100. Each index shows a currency's trade-using averages weighted appreciation measured against fifteen other major currencies of daily noon spot exchange rates in New York and bilateral trade weights based on 1980 trade in manufactures.

Source: Morgan Guaranty Trust Co.

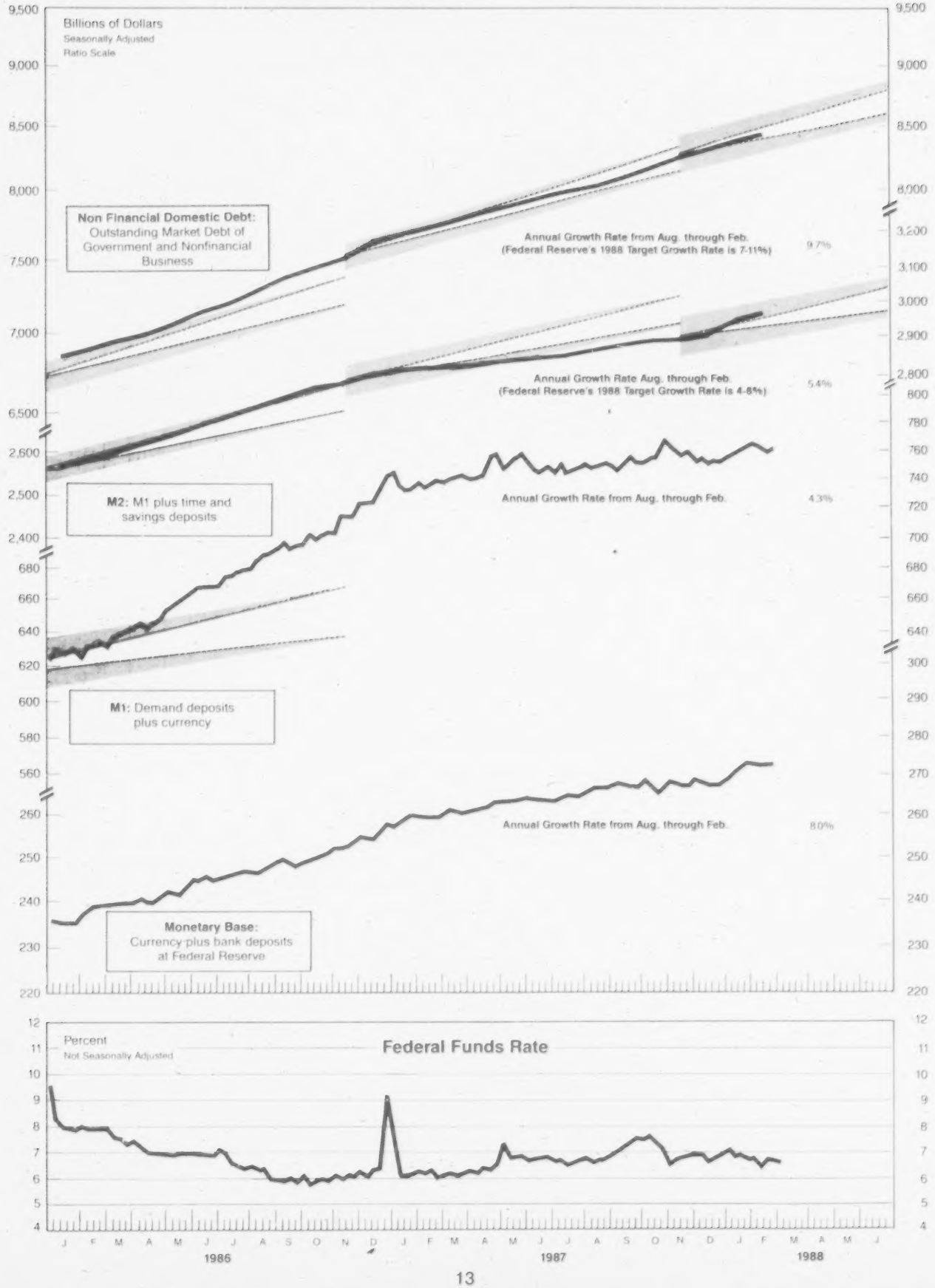
PERSPECTIVE ON THE FEDERAL BUDGET
(Billions of Current Dollars)

	Fiscal 1986	Fiscal 1987	Fiscal 1988	
	Actual	Administration's Latest Estimate	Administration's Latest Estimate	Congress's Latest Estimate
		(8/17/87)	(8/17/87)	(6/17/87)
Receipts	**$769.1**	**$858.5**	**$909.0**	**$ 918.1**
Outlays	**989.8**	**1,016.9**	**1,032.3**	**1,055.5**
Deficit	**−220.7**	**−158.4**	**−123.3**	**−137.4**
Receipts by source	**$769.1**	**$858.5**	**$909.0**	**$ 918.1**
Individual income	349.0	392.8	396.1	
Social security	283.9	301.9	331.8	
Corporate income	63.1	89.6	105.4	
Other receipts	73.1	74.2	75.7	
Outlays by function	**$989.2**	**$1,016.9**	**$1,032.3**	**$1,055.5**
National defense	273.4	282.2	297.5	289.5
Social security	269.0	281.3	293.2	302.4
Income security	119.8	124.0	124.8	131.5
Health	35.9	40.3	40.9	44.9
Education & manpower	29.7	30.7	33.3	32.9
Veterans benefits	26.4	27.0	28.6	27.4
Transportation	28.1	27.6	26.3	28.3
Agriculture	31.4	29.0	21.2	28.6
International affairs	14.2	13.6	14.8	16.1
Natural resources	13.6	14.3	14.8	15.1
General science	9.0	9.6	11.5	11.1
Justice	6.6	8.2	9.3	9.4
General government	6.1	7.0	7.0	7.2
Community development	7.5	6.0	5.4	6.6
Commerce, Housing credit	4.4	8.5	7.5	7.8
Energy	4.7	3.7	3.4	4.6
Revenue sharing	6.4	1.6	1.5	1.8
Interest	136.0	139.6	144.7	139.3
Allowances	0.0	0.0	0.7	0.7
Offsetting receipts	− 33.0	− 37.2	− 45.3	− 47.9

ECONOMIC ASSUMPTIONS OF THE BUDGET

GNP				
Current Dollar	**$4,218**	**$4,491**	**$4,830**	**$4,779**
Constant (1982) Dollar	**3,681**	**3,811**	**3,936**	**3,898**
Percent change in				
Current dollar	5.5%	6.1%	7.5%	6.9%
Constant (1982) dollar	2.7	2.6	3.3	3.0
Implicit price index	2.8	3.3	4.1	3.8
Consumer price index	1.6	3.6	4.4	4.3
91-Day T bill rate	6.0	5.7	5.5	5.6
Unemployment rate	6.9	6.2	5.9	6.5

Money Supply and Monetary Growth Targets


Billions of Dollars
Seasonally Adjusted
Ratio Scale
Non Financial Domestic Debt: Outstanding Market Debt of Government and Nonfinancial Business
Annual Growth Rate from Aug. through Feb. (Federal Reserve's 1988 Target Growth Rate is 7-11%)
9.7%
Annual Growth Rate Aug. through Feb. (Federal Reserve's 1988 Target Growth Rate is 4-8%)
5.4%
M2: M1 plus time and savings deposits
Annual Growth Rate from Aug. through Feb.
4.3%
M1: Demand deposits plus currency
Annual Growth Rate from Aug. through Feb.
8.0%
Monetary Base: Currency plus bank deposits at Federal Reserve
Percent
Not Seasonally Adjusted
Federal Funds Rate
J F M A M J J A S O N D J F M A M J J A S O N D J F M A M J
1986
1987
1988

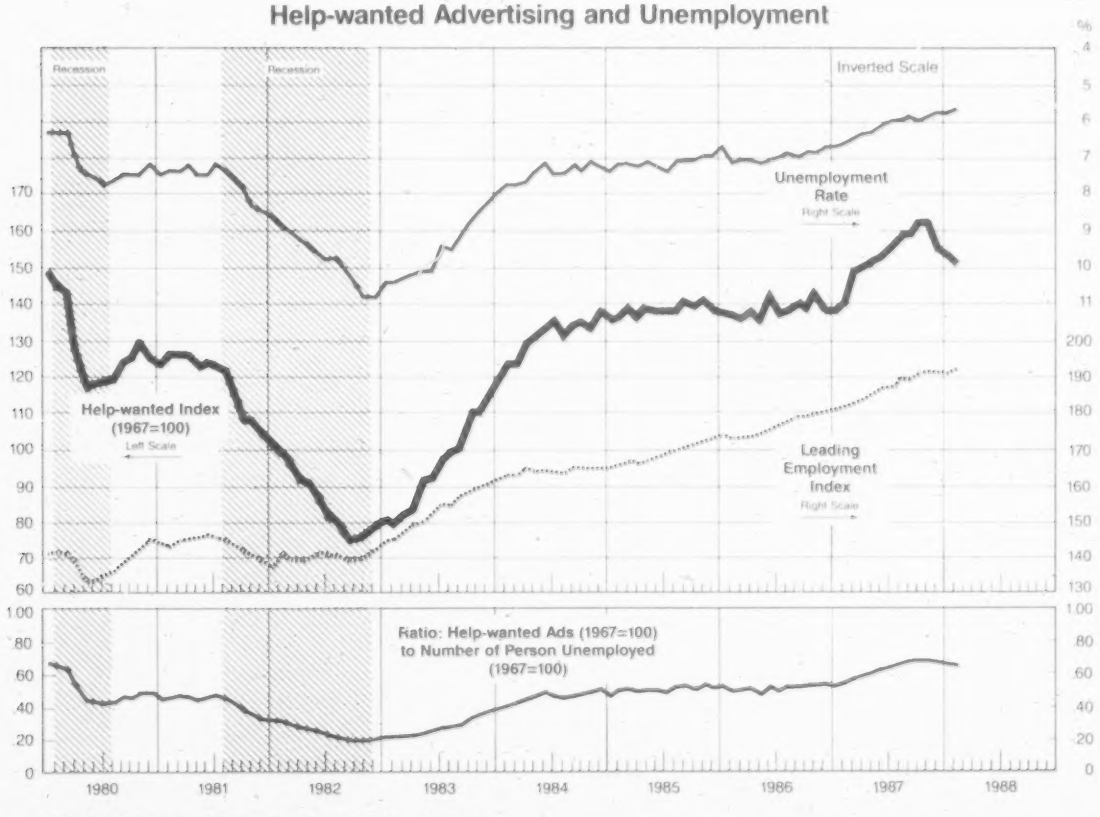
CONFERENCE BOARD HELP-WANTED ADVERTISING INDEX

Seasonally Adjusted Indexes, 1967 = 100

Locality	1988 Jan.	1988 Dec.	1988 Nov.	1987 Jan.
National Index	153	155	162	138
New England	160	175	182	165
Boston	160	172	182	169
Hartford	164	186	192	170
Providence	158	178	171	147
Middle Atlantic	88	89	100	77
Albany	205	227	413	188
Allentown	307	444	390	249
New York	61	63	66	57
Philadelphia	92	75	86	68
Pittsburgh	96	91	101	86
Rochester	99	95	98	86
Syracuse	145	143	150	132
East North Central	106	99	105	92
Chicago	116	108	115	104
Cincinnati	169	151	164	142
Cleveland	71	63	70	59
Columbus	179	171	185	160
Dayton	89	80	89	76
Detroit	59	54	59	55
Gary	174	174	174	131
Indianapolis	111	112	115	105
Milwaukee	98	93	89	64
Toledo	129	127	132	113
West North Central	101	93	105	92
Kansas City	166	142	153	152
Minneapolis	79	77	95	77
Omaha	149	136	160	126
St. Louis	70	68	71	63
South Atlantic	214	222	220	192
Atlanta	280	275	293	258
Baltimore	260	289	219	241
Charlotte	197	196	218	176
Jacksonville	227	233	228	222
Miami	163	166	164	94
Richmond	146	149	163	138
Washington, D.C.	N.A.	191	213	174
East South Central	166	168	178	149
Birmingham	166	179	174	159
Knoxville	267	301	306	239
Louisville	120	92	96	87
Memphis	139	136	143	139
Nashville	193	207	246	171
West South Central	169	162r	175	151
Dallas	153	157	156	141
Houston	226	208	246	204
New Orleans	130	128	125	111
Oklahoma City	121	107	114	97
San Antonio	154	156	156	144
Tulsa	145	129r	134	117
Mountain	308	329r	336	267
Denver	217	211	210	180
Phoenix	394	475	481	376
Salt Lake City	365	354r	375	284
Pacific	241	251	257	219
Los Angeles	170	167	180	150
Sacramento	447	456	470	432
San Bernadino	N.A.	300	307	264
San Diego	549	680	616	554
San Francisco	244	242	252	209
Seattle	233	233	250	206
Percentage of papers with rising volume	57	25r	63	55
Unemployment rate	5.8	5.8	5.9	6.7

Note: For definitions and method, see Noreen Preston, *The Help-wanted Index* (New York: The Conference Board, 1977).
r—revised N.A.—not available

Help-wanted Advertising and Unemployment



* Source: Center for International Business Cycle Research, Columbia University

CONFERENCE BOARD INDEXES OF CONSUMER CONFIDENCE AND BUYING PLANS

Indexes, 1985 = 100
(Seasonally Adjusted)

Consumer Confidence Index

	Jan.	Feb.	Mar.	Apr.	May	June	July	Aug.	Sept.	Oct.	Nov.	Dec.
1985	102.0	103.1	96.1	104.4	99.6	102.6	103.2	100.9	96.0	96.1	98.1	98.2
1986	96.9	96.0	95.1	100.0	100.2	100.0	97.5	91.7	89.7	85.9	89.7	93.2
1987	85.4	91.8	95.8	97.4	103.0	102.1	105.8	110.7	115.7	115.1	100.8	107.7
1988	110.9	113.9p										

Buying Plans Index

1985	100.7	98.7	98.4	97.4	89.5	96.3	93.1	98.4	107.3	110.3	101.2	108.8
1986	104.5	104.4	103.1	124.7	109.0	111.3	107.2	108.2	105.3	98.8	93.0	103.6
1987	98.9	93.1	98.7	89.7	113.4	94.5	96.0	96.5	108.7	104.9	102.5	100.4
1988	96.6											

Confidence Index measures consumer optimism in appraising economic conditions. Buying plans Index is based on intentions to purchase cars, homes, appliances. Expectations Index, (charted below), measures consumer attitudes with regard to business conditions and employment and income levels six months hence. Data prior to May, 1981 based on survey of families. Data after May, 1981 are based on survey of households. A description of these indexes appears in The Conference Board RECORD, September, 1973.

Surveys are conducted by National Family Opinion, Inc.

p—preliminary

Consumer Confidence and Expectations

CBDB

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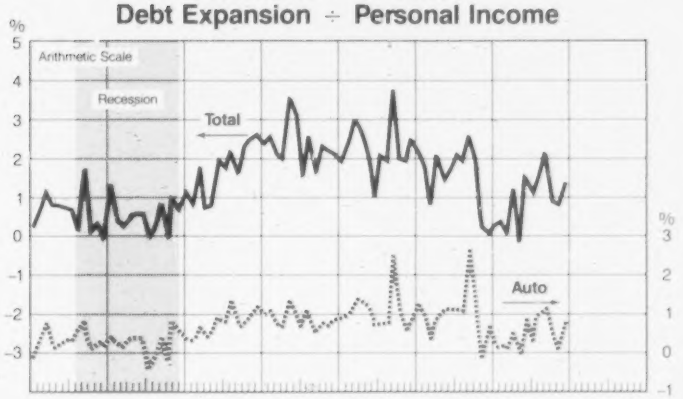
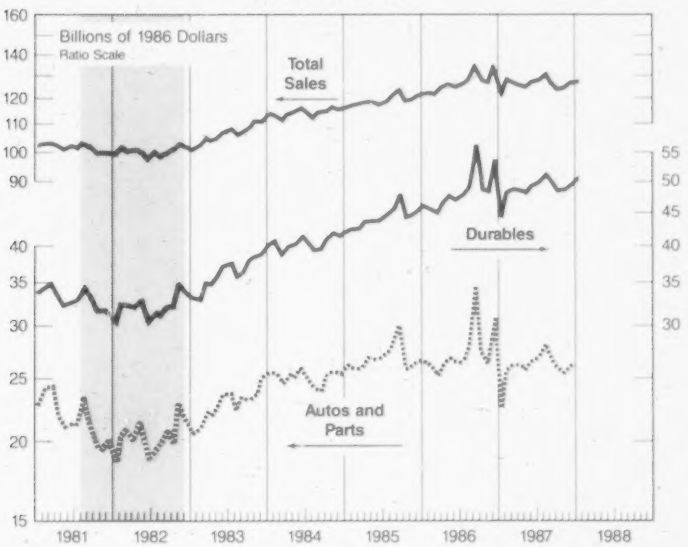
Consumer Installment Debt Expansion ÷ Personal Income



Retail Sales



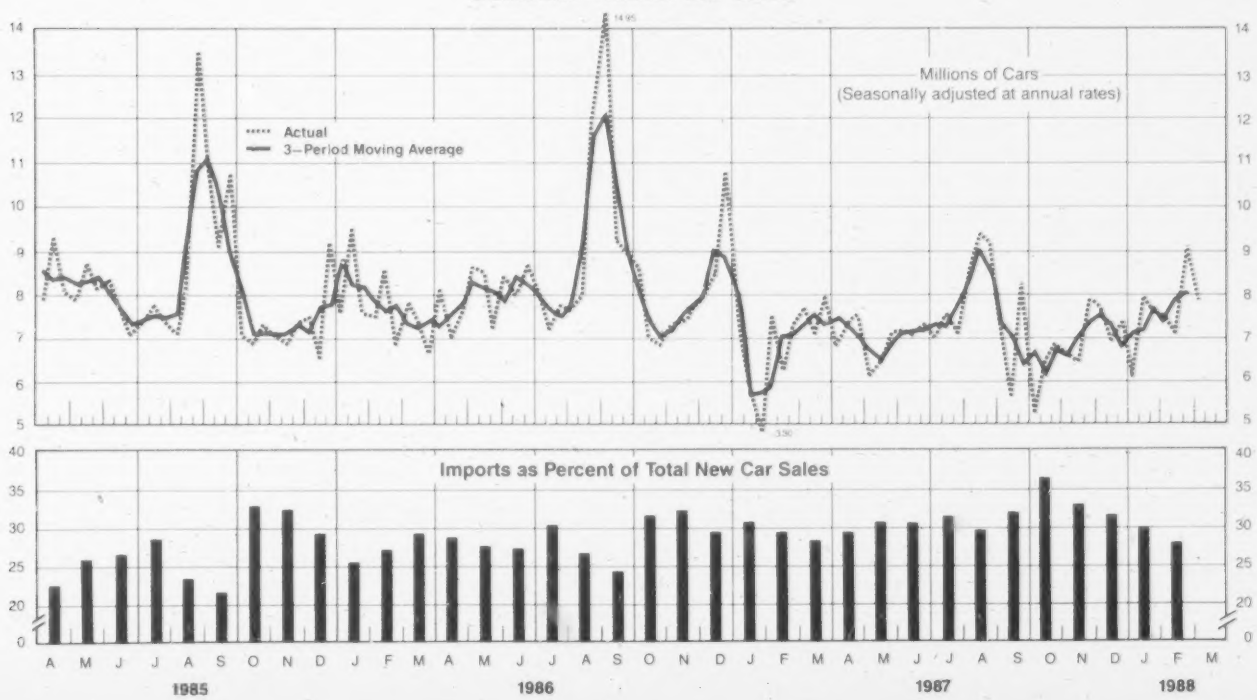
CONFERENCE BOARD ESTIMATES OF NEW AUTO SALES, BY 10-DAY PERIODS

Millions, Seasonally Adjusted at Annual Rate

Periods		1985	1986	1987	1988
January:	1-10	8.23	7.61	7.42	6.06
	11-207.84	8.00	9.45	5.97	7.89
	21-31	7.77	7.57	3.80	7.56
February:	1-10	7.24	7.56	7.46	7.51
	11-20	7.70	8.55	6.34	7.11
	21-28(29)	9.17	6.80	7.28	9.03
March:	1-10	8.09	7.76	7.60	7.88
	11-20	8.90	7.37	7.08	
	21-31	8.52	6.69	7.99	
April:	1-10	7.87	8.09	6.87	
	11-20	9.24	7.07	7.35	
	21-30	8.03	7.55	7.57	
May:	1-10	7.91	8.63	6.17	
	11-20	8.76	8.56	6.43	
	21-31	8.09	7.22	7.08	
June:	1-10	8.33	8.40	7.14	
	11-20	7.66	8.00	7.10	
	21-30	7.08	8.60	7.27	
July:	1-10	7.38	8.04	7.04	
	11-20	7.75	7.15	7.54	
	21-31	7.38	7.77	7.11	
August:	1-10	7.11	7.63	8.55	
	11-20	8.06	7.95	9.32	
	21-31	13.41	11.80	9.15	
September:	1-10	10.93	14.95	7.20	
	11-20	9.10	9.25	5.71	
	21-30	10.69	8.91	8.29	
October:	1-10	7.01	8.60	5.25	
	11-20	6.84	7.00	6.47	
	21-31	7.32	6.88	6.86	
November:	1-10	7.04	7.26	6.68	
	11-20	6.88	7.39	6.44	
	21-30	7.31	7.69	7.88	
December:	1-10	7.49	7.88	7.72	
	11-20	6.60	8.42	6.93	
	21-31	9.12	10.71	7.33	

Note: Dealer sales exclude exports and foreign-model cars (unless manufactured domestically.) Data from Ward's Automotive Reports are seasonally adjusted by The Conference Board. Prior data available upon request.

Domestic—Model Car Sales


Millions of Cars
(Seasonally adjusted at annual rates)
Actual
3-Period Moving Average
Imports as Percent of Total New Car Sales
A M J J A S O N D J F M A M J J A S O N D J F M A M J J A S O N D J F M
1985
1986
1987
1988